

Service Date: May 10, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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|----------------------------------|---|--------------------|
| IN THE MATTER Of The Application | ) | UTILITY DIVISION   |
| Of MONTANA-DAKOTA UTILITIES      | ) |                    |
| COMPANY For Authority To Adopt   | ) | DOCKET NO. 84.8.44 |
| Decreased Rates For Natural Gas  | ) |                    |
| Service In The State Of Montana. | ) | ORDER NO. 5129b    |

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SUPPLEMENTAL RATE ORDER

FINDINGS OF FACT

1. On April 30, 1985, the Commission approved Supplemental Order No. 5129a, which approved Montana-Dakota Utility Company's (MDU, Company, or Applicant) filing of April 26, 1985.

2. To minimize the number of tariff changes, MDU requested and the Commission accepted that the effects of the approval of the Williston Basin Interstate Pipeline Company (WBIP) Settlement and the gas supply contract renegotiations, as filed and revised, be combined as one rate decrease with the effective date for services rendered on and after January 1, 1985.

3. The exceptions to the tariff filings accepted by the Commission in Supplemental Order No. 5129a were Rates 87 and 88, MDU's gas cost tracking tariffs. This Supplemental Order addresses the following decision of the Commission in Supplemental Order No. 5129a:

MDU's application concerning revisions to gas cost tracking Tariffs 87 and 88 will be addressed in a subsequent Order. (Order Paragraph No. 5, Order No. 5129a)

4. After careful analysis, the Commission approves MDU's proposed Rates 87 and 88, filed April 26, 1985, with the following revisions:

a. Rate 87, page 1 of 1:

1. Section 2 (c): In the fourth line, the word "on" should be replaced with the word "of".

2. Section 2 (c): In the fourth and fifth lines, the words "or such other date(s) as MDU's cost of gas from its supplier(s) changes" should be deleted.
- b. Rate 88, page 1 of 3:
1. Section 1: In the fifth line, the words "integrated system" should be deleted.
  2. Section 1: A new sentence should be added at the end of the paragraph reading, "This tariff is governed by, and shall be interpreted consistently with, Title 69, Chapter 3, MCA."
  3. Section 2 (a): In the second and third lines, the words "integrated system" should be deleted.
  4. Section 2 (a): In the third line, the word "bills" should be replaced with the words "for services."
  5. Section 2 (a): In the fourth and fifth lines, the words "or such other date (5) as MDU' s cost of gas from it's [sic] supplier(s) changes" should be deleted.
  6. Section 2(b): In the first and second lines, the words "integrated system" should be deleted.
- c. Rate 88, page 2 of 3:
1. Section 4 (first paragraph): In the second and third lines, the words "to be effective on June 1 and December 1 of each year" should be deleted.
5. The deletions in Section 2 (c) of Rate 87 and Section 2 (a) of Rate 88 ("or such other date(s) as MDU's cost of gas from its supplier(s) changes") are necessary to provide consistency with the intent of the original tracking tariffs of having biannual applications while also providing long term flexibility ("Insofar as is practicable") for extraordinary applications, such as MDU's recent gas cost decrease filings. These tariffs do not flatly limit the Commission's ability to consider applications, since they originally were intended to establish MDU's right to an accounting treatment of gas costs under certain conditions. Gas cost tracking procedures were established in response to Natural Gas Policy Act (NGPA) increases, not the generalized expenses included in non-Purchased Gas Adjustment (PGA) cases. Although such costs are gas costs now to MDU, they lack the special nature of Congressionally mandated regular increases that formed the basis for gas trackers. In

addition, it is far from clear that WBIP will have general rate increases on such a regular basis as to justify building gas cost increases from that process into an expanded and liberalized tracking procedure. There is no indication that MDU or its ratepayers will suffer under existing adjustment procedures. Finally, MDU now has one gas supplier; should it ever have multiple suppliers, however, the deleted provision becomes even more objectionable in inviting multiple rate changes. Rates 87 and 88 should incorporate the flexibility to properly handle such future possibilities.

6. The deletions in Sections 1, 2 (a), and 2 (b) of Rate 88 ("integrated system") are proper to reflect the fact that MDU is no longer an integrated gas system. MDU is a gas distribution company which purchases its supply from WBIP, an integrated gas pipeline system.

7. The sentence added at the end of Section 1 of Rate 88 ("This tariff is governed...") is proper because of the nature of these tariffs. Rate 88 is a procedure tariff rather than the typical pricing tariff, and it specifically spells out the proper accounting mechanisms to be utilized. The Commission believes that Rate 88 should be consistent with Rate 87, which includes similar language in its Section 3, and, therefore, finds the addition of the sentence in question to be proper.

8. The replacement of the word "bills" with "for services" in Section 2 (a) of Rate 88 is proper to be consistent with the treatment of rate changes in other MDU gas proceedings. The utilization of bills rendered as the proper effective date for tariff changes would result in retroactive ratemaking, which is strictly prohibited by the laws of Montana.

9. The deletion of the words "to be effective on June 1 and December 1 of each year" in Section 4 (paragraph not numbered) of Rate 88 is proper to reflect consistency with the overall intentions of the original Rates 87 and 88 and the newly revised tariffs. The Commission strongly believes that the current and unreflected gas cost adjustments should not be disaggregated, since the multiple rate changes which might result would be confusing and unnecessary. This change would also blur the distinction between prospective and retroactive ratemaking drawn by the Commission with respect to the unreflected gas cost account in Order No. 4476a, May 30, 1979. The creation of WBIP provides no justification for this change from existing tariffs.

#### CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.
2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.
3. The approved tariffs are just, reasonable, and not discriminatory.

ORDER

1. Applicant, Montana-Dakota Utilities Company, is hereby directed to file tariffs for Rates 87 and 88 in compliance and conformance with Finding of Fact Paragraph No. 4 of this Supplemental Order.
  2. The approved Rates 87 and 88 are to become effective for service rendered on and after May 6, 1985.
  3. All motions and objections not ruled upon at the hearing are denied.
- DONE AND DATED this 6th day of May, 1985, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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JOHN B. DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

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TOM MONAHAN, Commissioner

ATTEST:

Trenna Scofield  
Commission Secretary

(SEAL)

Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.